

TRANSPORT FOR LONDON

FINANCE COMMITTEE

**SUBJECT: TfL OPERATIONAL AND FINANCIAL REPORT –
FIRST QUARTER 2008/09**

MEETING DATE: 16 SEPTEMBER 2008

1 PURPOSE AND DECISION REQUIRED

- 1.1 The investment programme report for the first quarter of 2008/09 (1 April 2008 – 21 June 2009) is attached to inform the TfL Finance Committee of Transport for London's performance.

2 RECOMMENDATION

- 2.1 The Committee is asked to NOTE the contents of this report.



Operational and Financial Report

First Quarter, 2008/09

The operating year 2008/09 comprises four quarters. Quarters one to three each cover three operating periods of four weeks. Quarter four covers four operating periods of four weeks. The dates are as follows:

Quarter one:	1 April 2008 - 21 June 2008	(Operating periods 1-3)
Quarter two:	22 June 2008 - 13 September 2008	(Operating periods 4-6)
Quarter three:	14 September - 6 December 2008	(Operating periods 7-9)
Quarter four:	7 December 2008 - 31 March 2009	(Operating periods 10-13)

This report details the operational and financial performance for quarter one, 1 April 2008 – 21 June 2008, and covers operating periods one to three.

Operational and Financial Performance Report

First Quarter, 2008/09 (1 April 2008 – 21 June 2008)

Performance Summary

Quarter one continued to build upon the passenger growth of 2007/08 across the Transport for London (TfL) network, with 784 million passenger journeys during quarter 1 2008/09, 3.3 per cent higher than last year.

London Underground: Demand for Underground services continued to grow with 243.2 million journeys made by passengers. In spite of rising passenger numbers, excess journey time improved by 1.3 minutes compared to last quarter, representing the best start to a year on record.

London Buses: Demand for bus services is also increasing with 517.5 million passenger journeys in the quarter and 97.6 per cent of scheduled bus services operated.

Docklands Light Railway (DLR): Despite challenging operating conditions due to major project disruption for 3-car upgrade works DLR passengers made 15.5 million journeys and 95.6 per cent of DLR trains were on time.

Customer Service: TfL network achieved an overall Customer Satisfaction Survey (CSS) score of 79.4, 1.4 points better than target, and an improvement of 0.3 points compared to quarter one 2007/08.

Financial performance: In quarter one, TfL net service expenditure, at £902 million, was £35 million higher than budget. This includes a provision of £104 million for the Metronet Loan. In the full year TfL net service expenditure is forecast to be £117 million lower than budget.

Staff numbers: TfL employed 21,828 full time equivalent (FTE) staff at the end of the first quarter, 132 less than budget and 20 less than last quarter.

Performance Summary – Performance Indicators

2008/09		Quarter 1				Full Year				Page no
Key Performance Indicator	Unit	Actual	Target	Var	PY	Forecast	Target	Var	PY	
Service Demand										
Passenger Journeys - TfL Group (excl London Overground)	m	783.7	792.8	(9.2)	758.7	3,447.0	3,456.7	(9.7)	3,345.8	4
Passenger Journeys - LU	m	243.2	256.8	(13.6)	236.5	1,110.0	1,120.0	(10.0)	1,072.5	4
Passenger Journeys - Buses	m	517.5	512.8	4.7	500.4	2,234.1	2,233.8	0.3	2,176.1	4
Passenger Journeys - DLR	m	15.5	16.0	(0.4)	14.8	71.1	71.1	0.0	66.6	4
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	224.0	209.3	14.7	212.2	205.0	205.0	-	190.8	5
Service Provision (Supply)										
% Scheduled Services Operated - LU	%	96.5	95.1	1.4	95.6	95.2	95.1	0.1	94.8	6
Train Kilometres Operated - LU	m	16.1	15.9	0.2	16.3	70.4	70.2	0.2	70.5	6
% Scheduled Services Operated - Buses	%	97.6	97.7	(0.1)	97.7	97.5	97.6	(0.1)	97.5	6
Bus Kilometres Operated - Buses	m	106.2	105.4	0.8	105.3	479.3	474.4	4.9	468.2	6
% Scheduled Services Operated - DLR	%	98.4	98.0	0.4	99.0	98.0	98.0	-	99.1	7
Train Kilometres Operated - DLR	'000s	960.0	1,015.1	(55.1)	1,010.5	4,439.0	4,493.6	(54.6)	4,442.9	7
Reliability										
Excess Journey Time (Weighted) - LU	Mins	6.5	7.5	(1.0)	7.3	7.5	7.5	0.0	7.8	8
Excess Wait Time, High Freq Routes - Buses	Mins	1.1	1.1	-	1.0	1.1	1.1	-	1.1	8
On Time Performance - DLR	%	95.6	96.0	(0.4)	97.8	96.0	96.0	-	97.3	8
On Time Performance - LO	%	92.2	91.7	0.5	not available	91.7	91.7	-	not available	8
Customer Satisfaction										
Overall Customer Satisfaction - TfL Group	Score	79.4	78.0	1.4	79.1	No forecast	78.3	-	78.7	9
Overall Customer Satisfaction - LU	Score	79	78	1	78	No forecast	78	-	77	9
Overall Customer Satisfaction - Buses	Score	79	78	1	79	No forecast	78	-	80	9
Overall Customer Satisfaction - DLR	Score	95	90	5	97	No forecast	90	-	97	9
Overall Customer Satisfaction - London Overground	Score	75.0	No Target	No Target	not available	No forecast	No Target	-	not available	9
People										
Number of Staff - TfL Group	FTE	21,828	21,960	(132)	21,114	22,111	22,030	81	21,848	18
Number of Temporary Contractors - TfL Group	FTE	1,543	1,136	408	1,557	1,203	1,111	92	1,459	18
Number of Temporary Contractors - TfL Group over 12 months	FTE	512	509	3	604	477	479	(2)	482	18
No of days sickness absence per employee: TfL Group	Days	2.1	2.2	(0.1)	2.3	10.0	10.2	(0.2)	10.3	18
Women Staff - TfL Group	%	24.5	24.2	0.2	23.6	24.9	24.9	(0.0)	24.3	19
BAME Staff - TfL Group	%	34.6	29.0	5.6	33.8	34.4	29.0	5.4	34.4	19
Disabled Staff - TfL Group	%	6.3	6.7	(0.3)	7.0	6.8	6.7	0.1	6.4	19
Women Staff in Senior Mgt - TfL Group	%	21.3	21.5	(0.1)	21.0	21.9	21.9	(0.0)	21.2	19
BAME Staff in Senior Mgt - TfL Group	%	11.9	13.0	(1.1)	11.8	13.5	13.8	(0.3)	12.2	19
Disabled Staff in Senior Mgt - TfL Group	%	4.5	4.7	(0.2)	4.6	4.5	5.2	(0.7)	4.4	19

GREEN: better than or equal to target; AMBER: within 5% of target; RED: 5% or more worse than target

Notes:

Tables may be subject to rounding errors.

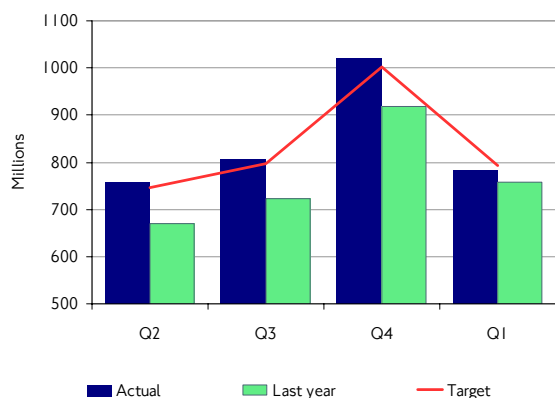
FTE = Full Time Equivalents

When considering performance compared to last year, please note that there were 2 fewer days in quarter one this year compared the same quarter in 2007/08. The Easter weekend fell during quarter four of 2007/08 and in quarter one of 2007/08.

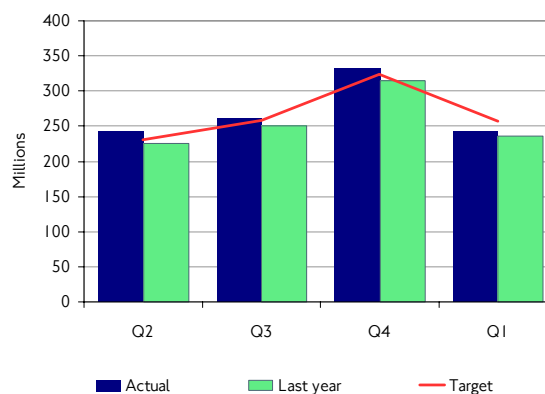
Service Demand

- 1.0 Following on from record levels of demand in 2007/08, the number of journeys made by passengers across the TfL network continues to grow in 2008/09. In quarter one, passengers made 783.7 million journeys, 9.2 million lower than target (1.2 per cent) but 25 million (3.3 per cent) more than last year. This total does not include passenger numbers for London Overground, which are in the process of being validated for reporting later in the year.

**Total Passenger Journeys –
Transport for London (excluding London
Overground)**

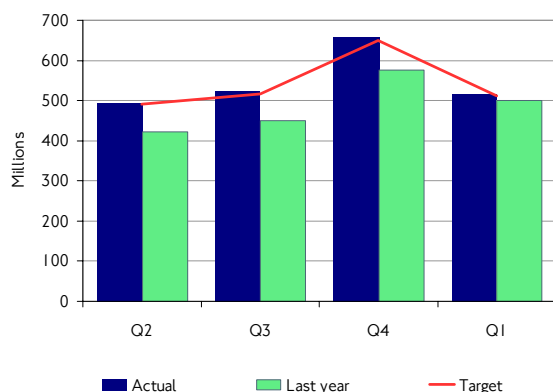


**Passenger Journeys –
London Underground**

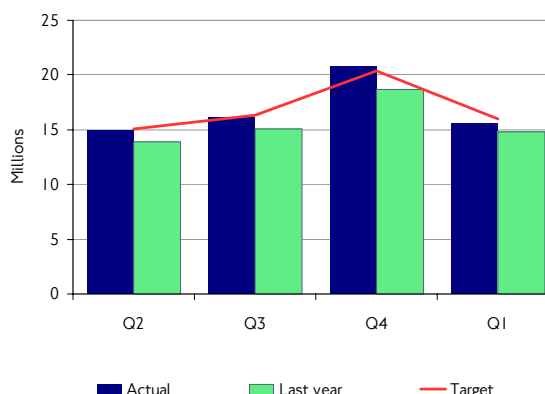


- 1.1 Service demand on the Underground continued at a record level. In quarter one, Underground passengers made 243.2 million journeys, an increase of 6.7 million journeys, or 2.8 per cent, compared to the first quarter of 2007/08. Passenger journeys were, however, lower than target by 13.6 million, or 5.3 per cent, a major factor being the early Easter and the adoption by many schools of the 'standard school year', with the spring holiday not coinciding with Easter. This was not anticipated in the phasing of the target. Its impact was to boost demand around the Easter Bank Holiday with the opposite effect in early April.

**Passenger Journeys –
London Buses**



**Passenger Journeys –
Docklands Light Rail**



- 1.2 Demand for bus services is also increasing. Bus passengers made 517.5 million journeys in the quarter. This represented an increase of 17.1 million journeys, or 3.4 per cent, compared to 2007/08 and 4.7 million (or 0.9 per cent) more than target.
- 1.3 In quarter one, DLR passengers made 15.5 million journeys. This represented an increase of 5.1 per cent, compared to 2007/08. DLR passengers made 2.8 per cent fewer journeys than target due to

3-car upgrade works and a greater than anticipated impact of the escalator works at Bank/Monument.

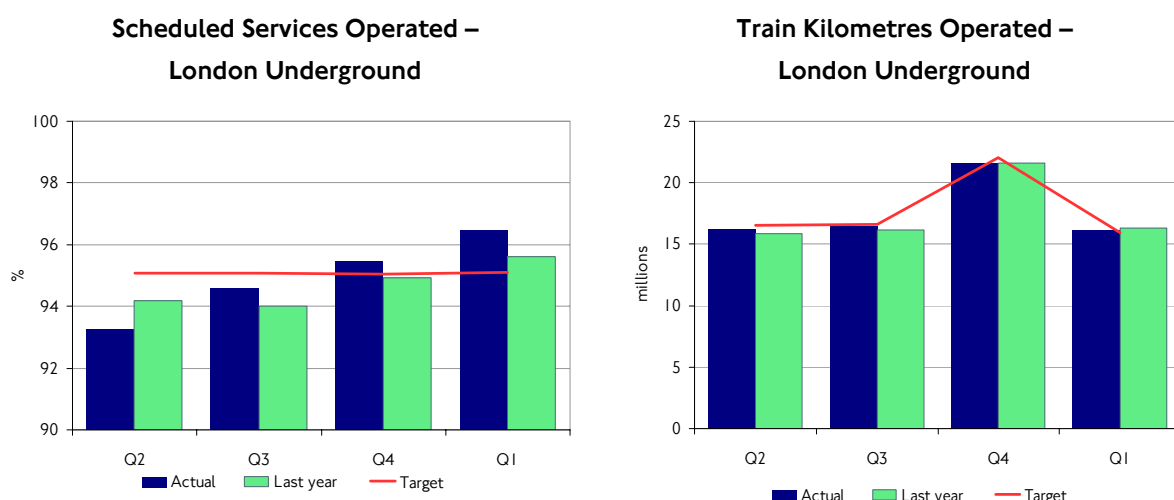
- 1.4 Cycling on the TLRN: Cycling on the Transport for London Road Network (TLRN) continued to increase and exceeded the index target by 14 index points. Quarterly targets vary over the year due to seasonal factors (including weather conditions). The highest target indices are found in Quarters 1 and 2 due to the spring/summer conditions and longer hours of daylight.
- 1.5 TfL is investing £55 million in cycle routes, cycle parking facilities, a bike hire scheme, cycle training and cycling events this year, an increase of £19 million compared to last year. TfL plans to introduce counters on Borough roads to gain a more accurate picture of flows and growth.
- 1.6 The popularity of cycling across London continues to grow with more than half a million cycle journeys made every day. In 2007/08, the number of cyclists in London increased for the sixth consecutive year, even though the summer was the wettest since 1912. Cycling on London's major roads grew by a further 4.5 per cent, with an estimated 20,500 more cycle journeys being made in London every day.

Fare Trends

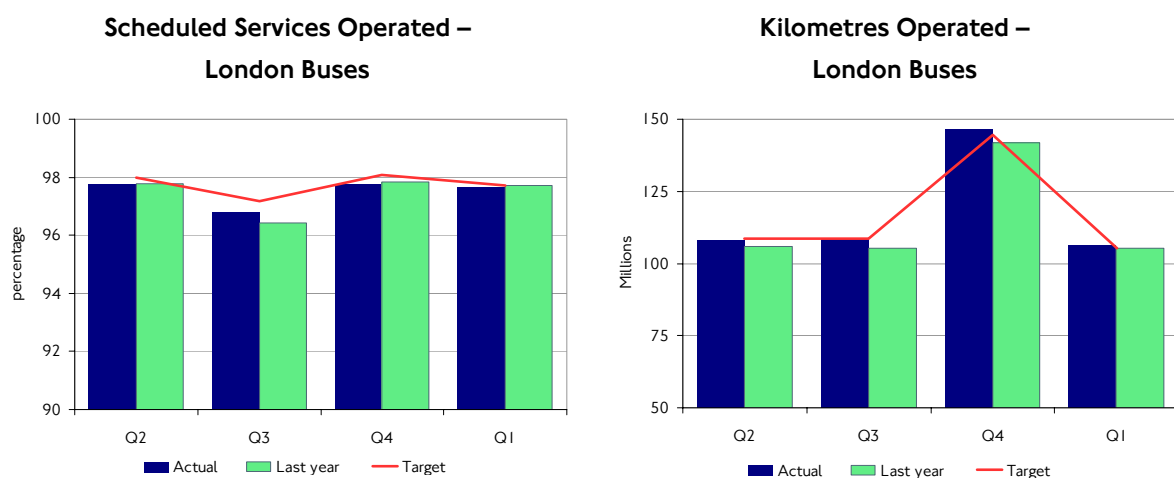
- 1.7 At the end of the first quarter, 3.1 per cent of Underground passenger journeys were cash fares, down from 3.8 per cent at quarter one last year. Oyster pay-as-you-go journeys comprised 31.3 per cent of all Underground journeys compared to 26.2 per cent a year ago.
- 1.8 On the bus network, cash single fares accounted for 1.7 per cent of all journeys (1.9 per cent including roadside ticket machines) compared to 2.1 per cent (excluding roadside ticket machines) at quarter one 2007/08. Oyster pay-as-you-go journeys comprised 17.6 per cent of all bus journeys (14.4 per cent last year).

Service Provision

2.0 During quarter one, 96.5 per cent of scheduled services were operated on the Underground. This was 0.9 percentage points higher than last year and 1.4 percentage points better than target, giving rise to an increase of 0.2 million kilometres in service volume operated. The most disruptive single incident in the quarter was caused by an unexploded World War Two bomb that was discovered near to the tracks in the Bromley-by-Bow area. Service suspensions on the District and Hammersmith & City lines while the device was made safe resulted in the loss of some 31,000 train kilometres, or almost 0.2 per cent of the network schedule for the quarter. Just three lines showed shortfalls against their targets, the above incident and poor rolling stock availability being the main factors on the District and Circle & Hammersmith lines, while the Waterloo & City line suffered from signal, points and train radio failures as well as frequent loss of several round trips per day due to late running. The Northern was the best performing line over the first quarter.



2.1 During the first quarter, 97.6 per cent of scheduled bus services were operated, 0.1 percentage points lower than last year and 0.1 percentage points less than target. Incidents which affected bus services included the closure of the Blackwall Tunnel northbound on 1 April, the London Marathon on 13 April, water main works at Greenwich between 14-22 April, a fire at Stratford on 25 April, a gas leak in Regent Street on 7 May, the closure of Oxford Street on 12 May, roadworks at Brixton, Ilford and Turnpike Lane, a burst water main on the A406 on 5-7 June and roadworks in Tottenham Court Road and Holborn throughout the quarter.



2.2 London Buses operated 106.2 million kilometres, an increase of 0.9 million kilometres (0.8 per cent) compared to last year and 0.9 million kilometres (0.8 per cent) more than target.

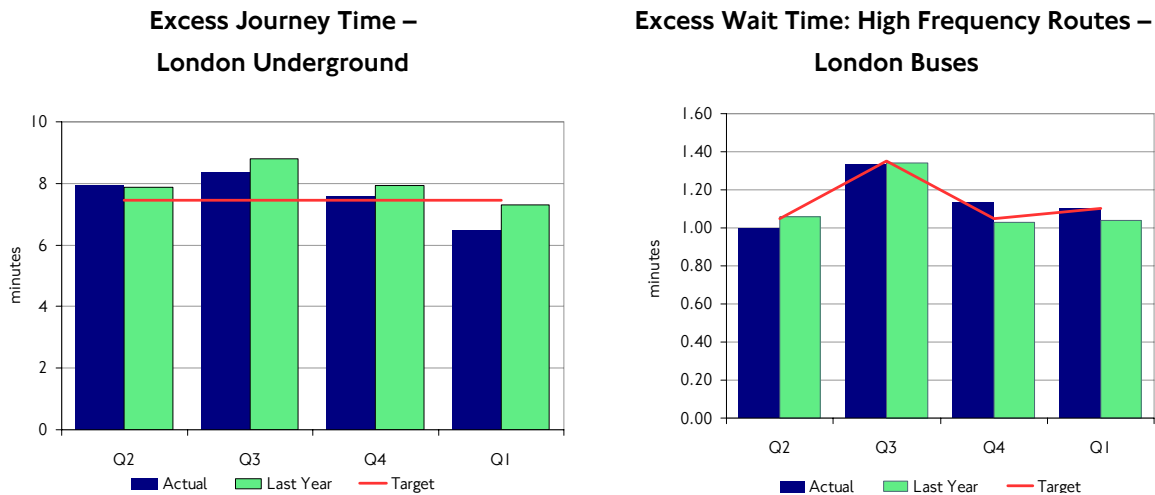
Train Kilometres Operated – Docklands Light Rail



2.3 The DLR operated 960,000 kilometres in quarter one, 5.0 per cent fewer than last year and 5.1 per cent fewer than target. The variance to target was because more 3 car works than planned resulted in services between Canary Wharf and Lewisham being rescheduled. Also, the railcars intended for service after the May timetable change are now scheduled to enter service in September 2008.

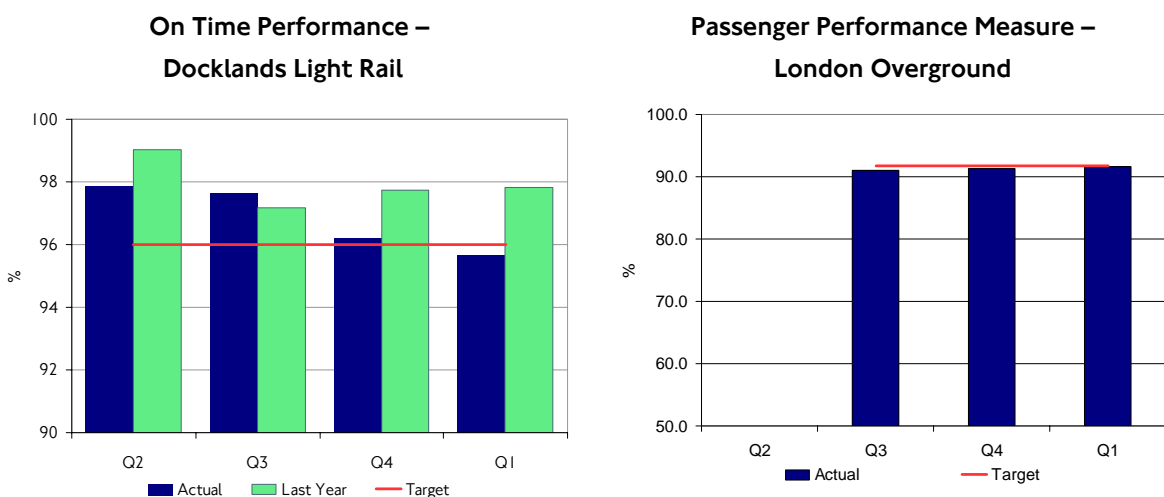
Service Reliability

2.4 Excess journey time on the Underground at 6.5 minutes was 1.0 minutes better than target and 1.0 minute better than last year. This represents the best start to a year on record and is a 1.3 minute improvement on the result of the previous quarter. All elements of the measure achieved target, notably excess journey time attributable to trains. This was 0.6 minutes better than target and, at 3.9 minutes, was also the best ever quarter one result.



2.5 During the first quarter, excess wait time on London buses averaged at 1.1 minutes, in line with target but 0.1 minutes worse than last year. This was mainly due to traffic congestion in central London.

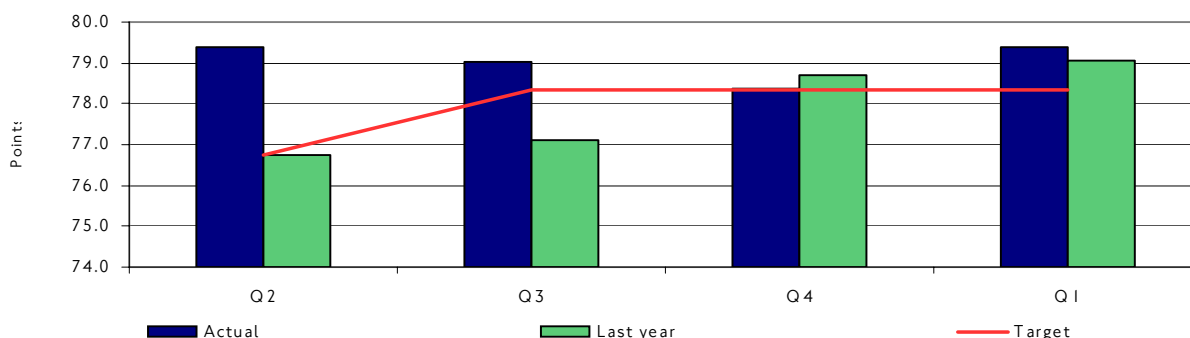
2.6 In the first quarter, 95.6 per cent of DLR trains were on time. This was 2.2 percentage points lower than last year and 0.4 percentage points lower than target, primarily due to the derailment at Deptford Bridge on 4 April but also due to wider major project disruption. An action plan to deliver performance improvements is being implemented by the franchisee, in conjunction with the DLR team.



2.7 The London Overground Public Performance Measure (PPM) is the percentage of trains which arrive at their final destination within 5 minutes of schedule. The moving annual average for PPM at the end of quarter 1 was 91.6 per cent, 0.4 percentage points better than last year. This demonstrates the effectiveness of the short-term initiatives to improve performance in advance of the introduction of new trains and infrastructure upgrades. The reliability of the existing trains has been improved and greater attention is being given to service planning. A dedicated Overground Control office opened at the end of April, which is expected to improve the management of any disruptions.

Customer Satisfaction

3.0 In quarter one, the score for customer satisfaction with the TfL network was 79.4 per cent. This was 1.4 points better than target and an improvement of 0.3 points compared to quarter one 2007/08.



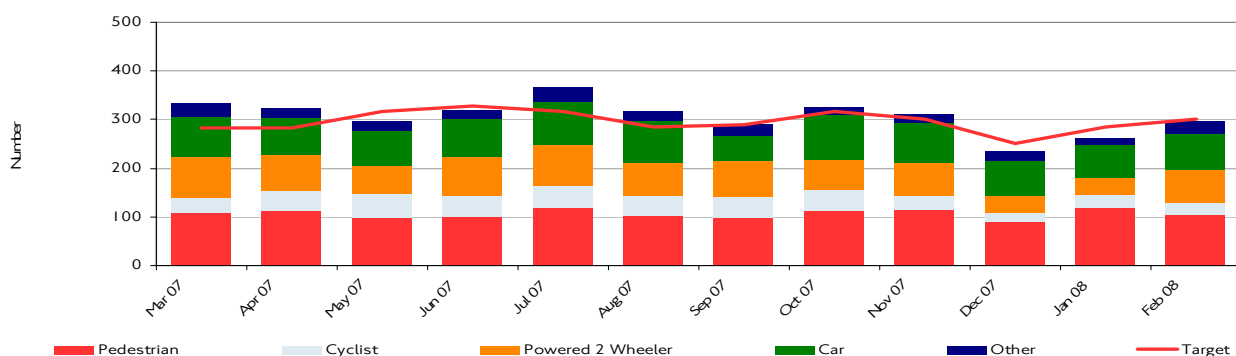
3.1 In quarter one, London Underground achieved an overall Customer Satisfaction Survey (CSS) score of 79, an increase of 3 points from quarter 4 of 2007/08. This reflects the good level of service delivery, as measured by both excess journey time and percentage of schedule, during the first quarter. This is only the second time that this score has been achieved, the previous occasion being quarter 2 of 2005/06 in the immediate aftermath of the 7 July bombings. The survey results also showed a 5 point increase in the score for staff helpfulness and availability and a one point increase in the scores for train service and cleanliness.

3.2 London Buses achieved an overall CSS score of 79, one point higher than target. The score was unchanged from the previous quarter. The scores for bus stop information, bus state of repair, general information, on bus safety and security, reliability, journey time, journey wait time and bus shelters all increased by one point. The score for satisfaction with night buses decreased by 3 points.

3.3 On London Overground, results of the quarterly TfL customer satisfaction survey conducted during quarter one, showed significant improvements in nearly all categories, compared to previous surveys, with an overall score of 75. This is the best result achieved since the concession started and reflects TfL's investment in station appearance and ambience, as well as increased station staffing at every station during the hours of operation.

3.4 DLR customer satisfaction survey results for quarter one showed a fall of 1.8 points to 95 per cent. The reasons for the decline in satisfaction are being investigated, but are likely to be related to reduced network performance and the 3-car project disruptions earlier in the year.

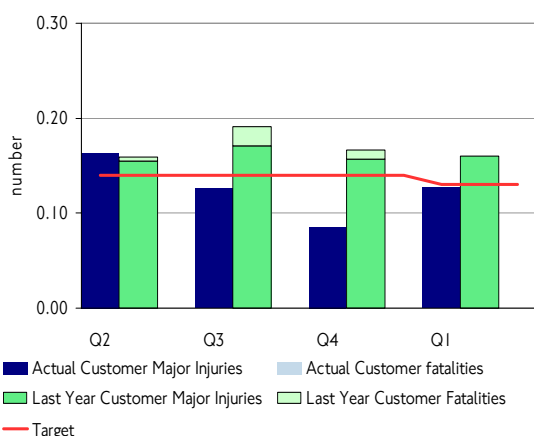
Road Traffic Accident Data (March 2007 – February 2008)



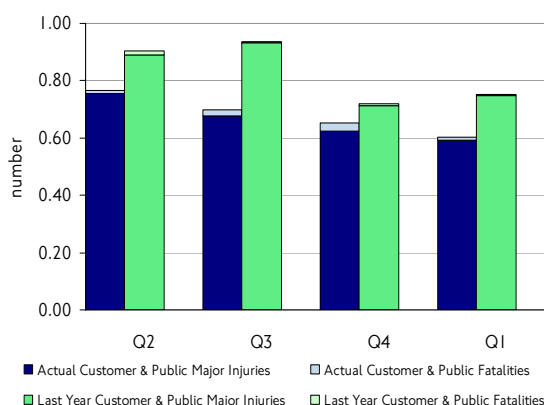
4.0 Due to reporting processes and the nature of road traffic accident data, results are reported 4 to 5 months in arrears and results are also subject to retrospective adjustments. During 2007/08 road traffic accident data was not available by the Metropolitan Police on a regular basis due to changes in the reporting system. Data analysis is currently being conducted to identify the factors determining trends. Data for January and February 2008 is now available.

4.1 Overall, there were 558 people killed or seriously injured on London’s roads in January and February 2008, 29 fewer than anticipated. Of these, 223 were pedestrians, 50 were cyclists, 103 were riders of powered-two-wheelers. There were fewer people killed or seriously injured in all categories compared to last year, with the exception of accidents involving pedestrians which increased by 3.7 per cent. However, overall there were 29 fewer casualties than in the previous year, representing a reduction of 5.0 per cent.

Customer Major Injuries and Fatalities per million passenger journeys – London Underground



Customer and Public Major Injuries and Fatalities per million passenger journeys – London Buses



4.2 The number of customer major injuries on the London Underground network in the first quarter of 2007/08, at 28, was 10 less than the same period last year. This represented an average of 0.12 injuries per million passenger journeys, 2.3 per cent better than target. There were no accidental fatalities during the quarter.

4.3 On the bus network, there were 311 major injuries and fatalities in the first quarter of 2008/09. This was 66 less than the corresponding quarter last year, representing an average of 0.60 injuries and fatalities per million passenger journeys.

Financial performance

Operating Income

2007/08 YTD Actual	Operating Income £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
(367)	London Underground	(383)	(395)	13	(1,745)	(1,751)	6
(340)	Surface Transport	(351)	(355)	4	(1,534)	(1,572)	39
(14)	London Rail	(25)	(25)	(0)	(122)	(108)	(14)
(3)	Group Directorates	(4)	(4)	(1)	(20)	(18)	(1)
(724)	Total Operating Income	(763)	(779)	16	(3,420)	(3,449)	29

Table may be subject to rounding errors

5.0 London Underground operating income was £11 million less than budget in the first quarter, primarily due to fares income of £12 million less than budget. This was driven by fewer passenger journeys due to the school holidays falling in April, rather than at Easter as budgeted, and retrospective travelcard apportionment adjustments. Full year operating income is forecast to be £6 million lower than budget due to lower than predicted rental income from former Silverlink properties, reduced payments to CBS and ending of the Cable and Wireless contract (for data cabling in tunnels) which was no longer required.

5.1 Operating income in Surface Transport was £4 million less than budget in quarter one.

- Congestion charging income was £7 million less than budget due to fewer standard charges and penalty charge notices issued. Traffic enforcement income was £4 million less than budget because of fewer CCTV and bus lane violations than expected.
- Bus network fares income exceeded budget by £8 million in the first quarter. This is attributable to additional users during the school holidays in April.
- Full year operating income is forecast to be £39 million lower than budget largely due to revised volume assumptions in congestion charging income (£21 million), LEZ income (£5 million) and traffic enforcement income (£10 million), and reduced commercial income at Victoria Coach station (£3 million).

5.2 London Rail operating income was in line with budget in quarter one. However, full year income is forecast to be £14 million higher than budget. This relates to London Trams income which was added to the forecast following the acquisition of Tramtrack Limited by TfL on June 27.

Operating Expenditure

2007/08 YTD Actual	Operating Expenditure £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
581	London Underground	595	602	(7)	2,640	2,640	-
551	Surface Transport	569	581	(12)	2,632	2,643	(12)
30	London Rail	56	66	(10)	284	282	2
54	Group Directorates	77	86	(8)	409	422	(12)
1,215	Total Operating Expenditure	1,297	1,335	(38)	5,965	5,988	(22)

Table may be subject to rounding errors

5.3 Operating expenditure in London Underground was £7 million less than budget in quarter one. This was mainly due to lower PPP costs reflecting lower interest payment following the repayment of the Metronet debt and abatements for late BCV station project delivery. There were also savings in commissions, bank charges and bad debts, partly offset by a volume-related increase in replacement bus service costs. Total full year operating expenditure is forecast to be on budget.

- 5.4 Surface Transport spent £12 million less than budget in the first quarter largely because of lower provision for bad debts due to lower Penalty Charge Notice (PCN) enforcement income and a higher recovery rate of the PCNs (£4 million). Bus network operation costs were £3 million lower than budget because of budget phasing assumptions relating to the revised Quality Incentive Contracts. Expenditure on road safety marketing was £2 million less than budget. The full year favourable variance of £12 million predominantly relates to savings from renegotiation of contracts on the bus network.
- 5.5 London Rail operating expenditure was £10 million less than budget in quarter one, mainly due to slippage on the London Wide Oyster Rollout project, following delays in negotiations with the Train Operating Companies (TOCs). There were also savings on the fixed track access charge, which is offset by lower DfT grant recorded centrally. In the full year, London Rail forecast to spend £2 million more than budget. This reflects the inclusion of £13 million of operating costs to be incurred following the acquisition of Croydon Tramtrack, which was not budgeted for. This is partly offset by lower fixed track access payments, and negotiations with the TOCs on London Wide Oyster project.
- 5.6 The Group Directorates spent £8 million less than budget in quarter one and forecast to spend £12 million less in the full year.
- Group Planning spent £3 million less than budget due to re-programming of workstreams in Transport Network Planning and Modelling and Monitoring. These will now be undertaken later in the year. The full year forecast is £3 million less than budget due to a change in the scheduling of Borough Programme schemes at Leicester Square, Elephant and Castle and Brixton Central Square. The work is planned to be completed in 2009/10. This reduction in forecast is offset by an increase in forecast of £2 million for studies, modelling and consultation to be undertaken this year that were originally budgeted in 2007/08.
 - Finance expenditure was £2 million less than budget due to lower IM Strategy Implementation Project (IMSIP) support costs and higher procurement recharges to Rail for London. The forecast expenditure for the year is £7 million less than budget mainly due to reclassification of spend on IMSIP from operating to capital expenditure.
 - Group Services spent £2 million less than budget in quarter one largely, due to lower expenditure on agency fees because of lower recruitment demand from LU and fewer staff working in Resourcing owing to staff vacancies.

Group Items

Group Items £m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Interest Income	(29)	(20)	(9)	(96)	(70)	(26)
Debt Servicing	42	38	4	186	185	1
Contingency/Other Group Items	-	9	(9)	35	65	(30)
Provision for Metronet administration	104	-	104	104	-	104
Total Group Items	116	26	90	228	180	48

Table may be subject to rounding errors

- 5.7 Interest income is forecast to be £26 million higher than budget for the full year. This is due to increasing interest rates on cash balances.
- 5.8 The final amount of the loan paid by TfL to Metronet was £104 million, following Metronet's exit from administration in quarter one.

Capital Expenditure

2007/08 YTD Actual	Capital Expenditure £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
79	London Underground*	81	101	(20)	396	438	(42)
36	Surface Transport*	42	53	(11)	237	280	(43)
52	London Rail*	114	145	(31)	588	722	(134)
4	Group Directorates*	15	21	(6)	79	72	7
-	Overprogramming (TfL Group)	-	(16)	16	(30)	(68)	38
(31)	Reimbursements						
(141)	Net Capital Expenditure	252	304	(52)	1,270	1,444	(174)
(30)	Capital Income	(1)	(20)	19	(47)	(49)	2
(111)	Net Capital	252	285	(33)	1,223	1,395	(172)

*Shown after delegated overprogramming and third party reimbursements for 08/09.

Table may be subject to rounding errors

- 5.9 London Underground capital expenditure in the first quarter was £20 million less than budget mainly on station projects (£12 million), including £2 million at Shepherd's Bush due to project re-scoping and phasing and £4 million on congestion relief work at Tottenham Court Road. Rolling stock expenditure at £6 million below budget includes variances of £2 million for train cab simulators, £1 million for 7-Car C-stock project and £1 million for Bakerloo & Central lines on-train CCTV, all reflecting re-programming of work to later this year or next.
- 5.10 The full year forecast is £42 million less than budget for London Underground. £16 million is due to re-phasing of the Northern, Jubilee and Metropolitan line power upgrade projects, and £14 million is due to deferral of Connect SSL works pending approval of the revised Metronet stations programme. Expenditure on stations projects is forecast at £15 million below budget, the main reductions being £14 million for Shepherd's Bush (project de-scoped), Bank Waterloo & City entrance at £14 million (change in developer programme) and £6 million for West Ham (work for Olympic Delivery Authority no longer required), offset by increased ODA work at Stratford (£20 million). Rolling stock projects are forecast to be £12 million under budget for the reasons described in the previous paragraph. The above variances are partly offset by a reduction of £13 million in the devolved overprogramming provision.
- 5.11 Surface Transport spent £11 million less capital expenditure than budget in quarter one mainly as a result of delays to TLRN renewals and improvements (£6 million), the Countdown project due to the re-phasing of work (£2 million), delays to iBus garage roll out acceptance (£2 million), and phasing of works on West Ham bus garage (£2 million).
- 5.12 The full year forecast for Surface Transport is £43 million less than budget due to re-profiling of work and project slippage to Blackwall Tunnel north (£16 million), A406 Hanger Lane bridges (£4 million) and Ardleigh Green railway bridge (£4 million), delays and re-scoping of A406 Henlys Corner and Tottenham Hale (£7 million), delay in the final acceptance milestone for iBus (£5 million) and rephasing of the Countdown project following rescoping (£6 million).
- 5.13 Capital expenditure in London Rail was £31 million less than budget in the year to date. The main contributors were changes to phasing on the DLR three car project (£12 million), delay to the commencement of Network Rail implementation works on NLRIP (£4 million), rephased contingency on ELLP (£3 million), slow progression on stations and residual civils works on ELLP (£3 million) and savings on Stratford International western subway work (£2 million).
- 5.14 The full year forecast for London Rail is £134 million lower than budget. The ELLP forecast decreased by £58 million mainly due to rephasing of risk and contingency to later years (£27 million) and main works expenditure (£17 million). The DLR three car full year forecast has been reduced by £38 million. The main reasons are a reappraisal of the work to be done by the main

contractor (£18 million) and Phase 4A Prince Regent works now forecast for 2009/10 (£10 million). The NLRIP forecast reduced by £25 million reflecting rephasing of the project as Network Rail Board approval and subsequent contract award will be delayed to the end of the calendar year. The opening dates of these projects are not affected by the re-profiling of costs.

- 5.15 Capital expenditure in the Group Directorates was £6 million less than budget in the first quarter.
- Group Services spent £3 million less than budget because of a delay in work on Palestra. This was partly offset by a delay in the landlord's contribution to Palestra control boxes works.
 - Finance spent £3 million less than budget primarily on IM Strategy Implementation Project (IMSIP), but this will be recovered during the year. In Finance, capital expenditure on IMSIP is forecast to be £8 million more than budget by year end due to a reclassification of operating expenditure to capital expenditure of £12.9 million.
- 5.16 Capital income was £19 million less than budget in the first quarter. This relates to Hammersmith Met where sales progress has slowed as a result of changes in the financial market. The year end forecast of £2 million less than budget includes property sales of £12 million deferred to 2009/10, partly offset by new sales of £8 million.

Efficiencies

6.0 Total full year efficiencies are forecast at £275 million which is £5 million higher than budget. New efficiencies are forecast to be £13 million higher than budget which is partly offset by lower recurring efficiencies by £8 million.

Efficiency Initiatives £m	Full Year Recurring		Full Year New		Full Year Total	
	Forecast	Variance to Budget	Forecast	Variance to Budget	Forecast	Variance to Budget
Procurement	43	(2)	33	6	76	4
Staff & BIP	23	0	30	1	53	1
Marketing	4	-	-	-	4	-
Other Back Office	15	0	14	6	29	6
Total Back Office Efficiencies	85	(2)	76	13	162	11
Bus Network	69	-	17	-	86	-
Road Maintenance Contract	-	-	4	-	4	-
Other Surface Transport Initiatives	-	-	-	(3)	-	(3)
LU Operational Efficiencies	16	(6)	7	2	23	(4)
Total Operational Efficiencies	85	(6)	28	1	113	(7)
Total Cashable Efficiencies	170	(8)	104	13	275	5

Brackets in variance columns show that efficiencies were lower than budget.

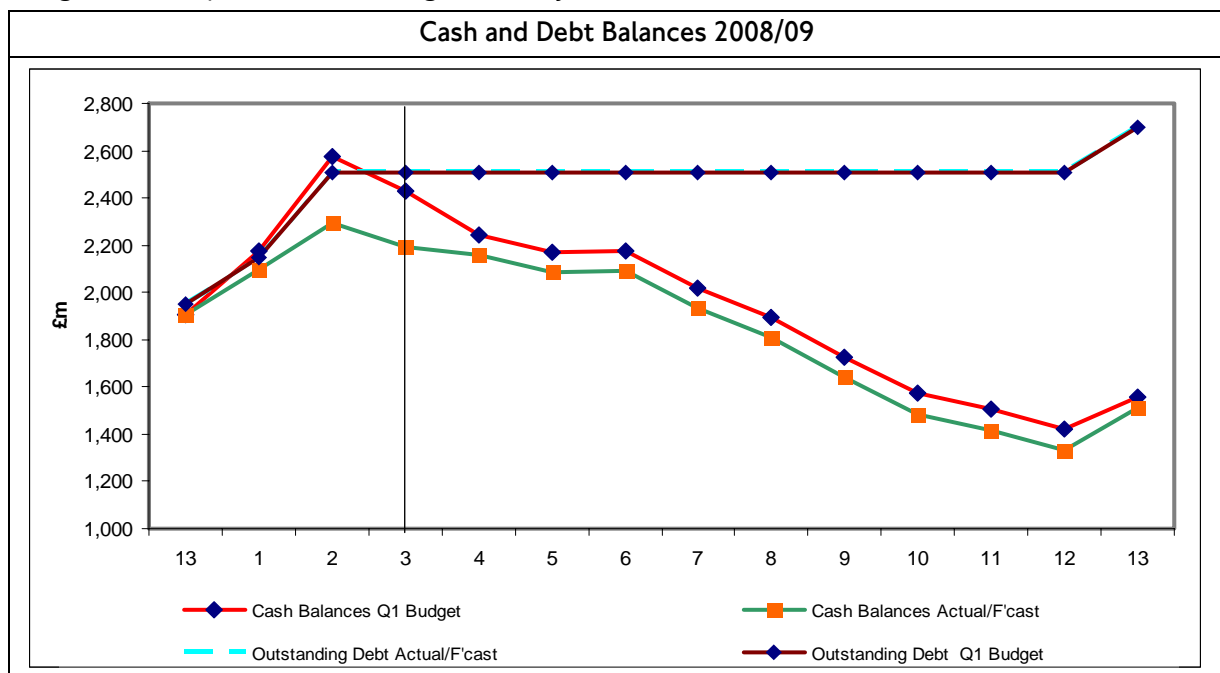
Tables are subject to rounding errors.

- 6.1 Procurement efficiencies are forecast to be £4 million higher than budget. Group Services procurement efficiencies are forecast to be £3 million more than budget because of £1m of savings from buildings which have lower rental, maintenance and facilities costs, and, other small additional savings. General Counsel forecast to achieve £2 million more procurement efficiencies than budget, largely because of additional discounts and rebates negotiated.
- 6.2 Other back office efficiencies are forecast to be £6 million higher than budget because of small savings in Surface Transport and London Underground.
- 6.3 Other recurring London Underground operational efficiencies are forecast to be £6 million lower than budget because planned ticket office closures are not expected to happen.

Cash Summary

Cash Balances and Debt

- 7.0 Cash balances at the end of quarter one were £2,308 million including £116 million cash held by the new Metronet subsidiaries. The new Metronet subsidiaries received £153 million on 27 May under the terms of asset transfer scheme approved by the Court in relation to the administration of the PPP Metronet companies. Since transfer, £37 million has been spent.
- 7.1 Budgeted and forecast end of year cash (£1,555 million and £1,512 million respectively) excludes:
- The Metronet balances of £116 million noted above
 - Metronet companies' spend for periods 4 through to 13
 - Additional grants of £431 million from the SR 2007 settlement, relating to the transfer of Metronet activities to TfL
 - The unspent proceeds of £500 million borrowing to fund Crossrail. This borrowing has yet to be approved by the Mayor and is not included in the budget and forecast.
- 7.2 Of £750 million approved borrowing, £560 million has been drawn down and £190 million is committed in period 13. Debt at the year end (excluding funding for Crossrail) will be £2,700 million.
- 7.3 The graph below shows the actual/forecast cash balances and debt compared to the quarter one budget at each period end throughout the year.



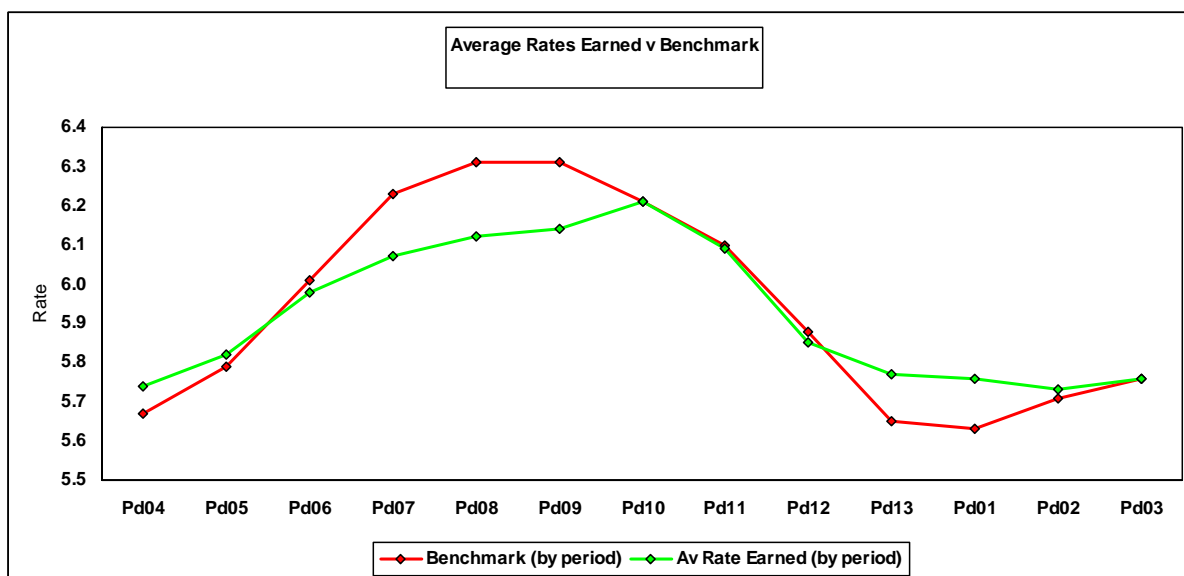
Performance

- 7.4 Interest receivable performance (shown below) is measured against a benchmark of the average of 3 month LIBOR minus 12.5 basis points. The global 'credit squeeze,' which commenced in September last year, resulted in a severe demand/supply imbalance for deposits in the 3 – 6 months range. As a result, yields rose rapidly for these deposits, thus pushing TfL's benchmark to very high levels. While TfL achieved these higher rates on the cash it had available at the time to invest in 3-6 months deposits, it was not possible to achieve the higher benchmark returns across all deposits immediately. This was due to a shortage of surplus cash from existing longer-term maturities that had been set to meet forecast payment obligations, and the requirement to maintain higher short-term liquidity to meet obligations under the Metronet Administration loan facility. However, bringing forward the borrowing programme last year helped to offset this effect. As a result, the return for 2007-08 was 3 basis points below benchmark. However PI - 3 results, this year, show returns now meet the benchmark.

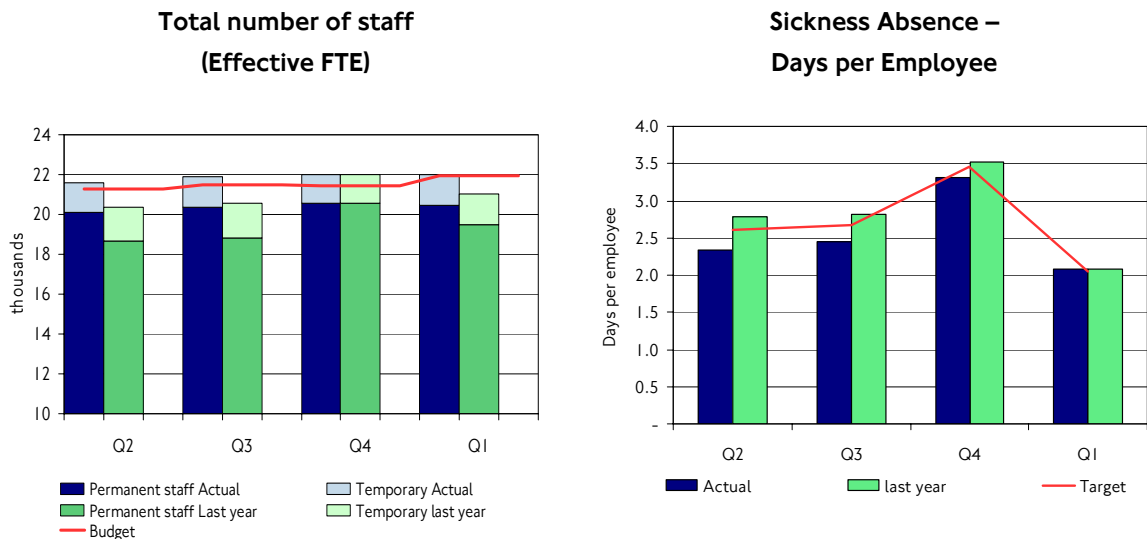
7.5 Results for the last three periods are noted in the table below:

Treasury Management Yield	2007/08 Actual	Period 1	Period 2	Period 3	YTD Actual
Benchmark	% 5.90	% 5.63	% 5.71	% 5.76	% 5.70
Average Rate of Return	5.87	5.76	5.73	5.76	5.75
Variance to Benchmark (lower) / higher	(0.03)	0.13	0.02	0.00	0.05
Interest Earned, Period	£112.9m	£8.4m	£9.9m	£10.2m	£28.5m
Interest Earned, Year to Date	£73.9m	£8.1m	£9.1m	£8.8m	£26.0m

7.6 The chart below shows the Group's cash management performance relative to its benchmark. In particular it shows the effect of rising LIBOR rates in September – November last year and how TfL's returns have recovered through March-June.

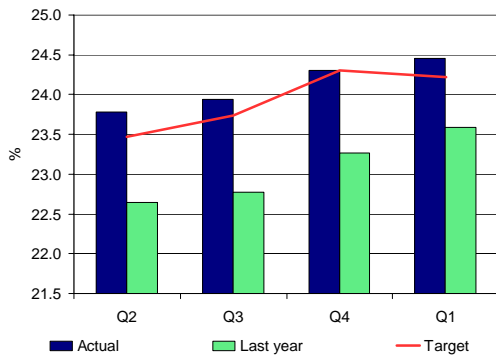


People

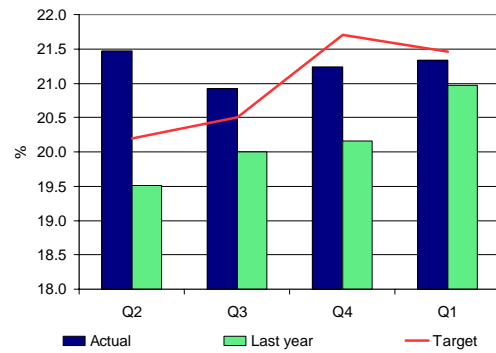


- 8.0 **Staff numbers:** TfL employed 21,828 full time equivalent (FTE) staff at the end of quarter one, 132 less than budget and 20 less than last quarter. In the operational modes staff numbers exceeded budget by 104 FTE. In London Underground, staff numbers of 14,526 FTE, exceeded budget by 46 due to higher staff levels in the support directorates. In Surface Transport there were 4,742 members of staff, 54 FTE more than budget, principally due to London Streets' re-structuring. With 250 members of staff, London Rail exceeded budget by 4 FTE. Higher staff numbers in the operational modes were offset by corporate directorate staff numbers of 236 lower than budget. There were 167 members of staff on maternity leave.
- 8.1 **Temporary staff:** At the end of quarter one, there were 1,153 temporary staff employed by TfL, 408 more than budget. Of these, 512 had been employed for more than 12 months. In London Underground the number of temporary staff exceeded budget by 155, with the majority working on the Metronet issues, in project management and on capital projects. However the number of London Underground temporary staff with service in excess of 12 months, at 223, was 17 below budget at the end of the quarter. In Surface Transport there were 170 more temporary staff than budget pending the outcome of London Streets' re-structuring and supporting IM projects. There were 190 temporary staff with service exceeding 12 months, but, Surface Transport plan to reduce this number by 47 over the course of the year to achieve budgeted levels. With 46 temporary staff, London Rail were below budget by 4 FTE. A majority of these staff were employed on the East London Line project, with 15 temporary staff having served for more than 12 months. In the corporate directorates, temporary staff were 87 FTE higher than the budget of 300 and 14 FTE had service of more than 12 months. These included 189 working in Group IM (especially on the IM Strategic Investment Programme) and 75 working in the Group Customer Services (mainly in the Oyster call centre to maintain levels of customer service in the light of increasing demand).
- 8.2 **Sickness:** TfL staff were absent for an average of 2.1 days per employee in the year to date, 4.8 per cent better than target. Operational staff were absent for an average of 2.7 days per employee which was 3.6 per cent better than target. Non-operational staff were absent for an average of 1.3 days in the year to date, which was 2.2 per cent better than target.
- 8.3 **Workforce composition:** TfL became the first transport authority in the country to achieve level five (the highest level) of the Local Government Equality Standard. TfL is only the fourth authority in the country to achieve this independently assessed equality mark.
- 8.4 The Breakthrough strategy being implemented by Group Services is designed to increase representation of minority groups in senior management. It will look at TfL's recruitment and selection process, and how internal candidates are prepared for promotion. Pearn Kandola has been appointed as the supplier to work with TfL to conduct the reviews of the strategy.

Female Staff

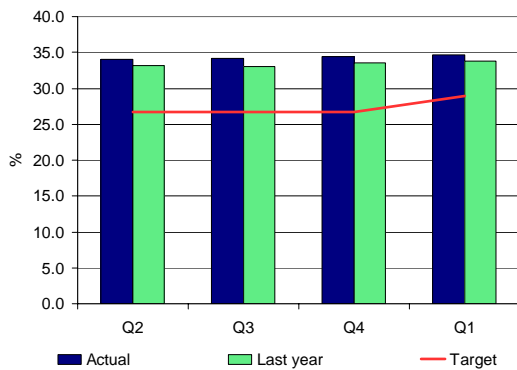


Female Staff in Senior Management

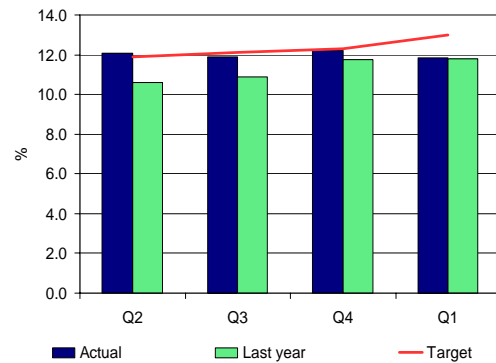


8.5 At the end of quarter one, 24.5 per cent of TfL staff were women, 0.3 percentage points better than target and 0.9 percentage points higher than last year. The percentage of women in senior management was 21.3 per cent, 0.2 percentage points better than target and 0.3 percentage points higher than last year.

Black, Asian and Minority Ethnic (BAME) Staff

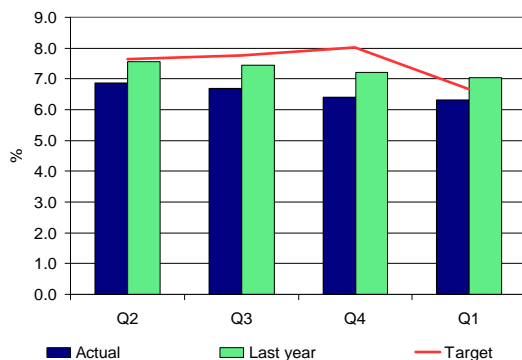


Black, Asian and Minority Ethnic (BAME) Staff in Senior Management

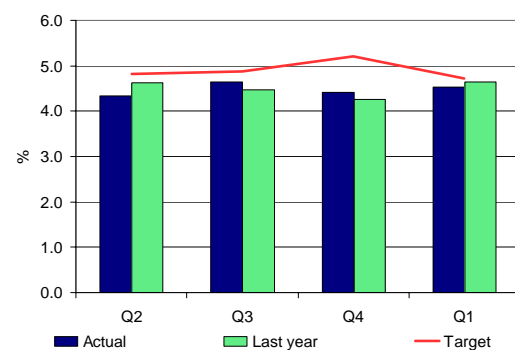


8.6 34.6 per cent of TfL staff came from BAME communities. This was 5.6 percentage points better than the target and 0.8 percentage points higher than last year. The percentage of BAME staff in senior management fell by 0.3 percentage points, since last quarter, to 11.9 per cent. This was 0.8 percentage points worse than target, but marginally better than last year.

Disabled Staff



Disabled Staff in Senior Management



8.7 The proportion of disabled staff was unchanged in quarter one, at 6.3 per cent. This was 0.4 percentage points worse than the target and 0.7 percentage points lower than last year. The decline in the proportion of disabled staff since last year was due to 44 (6.4 per cent) fewer disabled staff and 481 (5.3 per cent) more non-disabled staff in the survey. The proportion of disabled staff in TfL's senior management increased by 0.1 percentage point to 4.5 per cent in

quarter one. This was 0.3 percentage points worse than the target and slightly lower than last year.

8.8 Of the employees who declared their sexual orientation; 1.0 per cent were lesbians; 4.5 per cent were gay men; 0.2 percent were bisexual women; 0.5 per cent were bisexual men; 58.0 per cent were heterosexual men and 28.5 per cent were heterosexual women. The balance of employees preferred not to declare their sexual orientation.

Of the senior managers who declared their sexual orientation; 0.02 percent were lesbians; 3.4 per cent were gay men; 67.4 per cent were heterosexual men and 18.0 per cent were heterosexual women. The balance of senior managers preferred not to declare their sexual orientation.

Annex One: Financial summary

£ millions	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Fares Income - LU, Buses and LR	(628)	(631)	4	(2,806)	(2,791)	(15)
Other Income	(136)	(148)	12	(615)	(658)	44
Total Income	(763)	(779)	16	(3,420)	(3,449)	29
Operating Expenditure (net of 3rd party contributions)	1,297	1,335	(38)	5,965	5,988	(22)
Gross Operating Margin	534	556	(22)	2,545	2,538	7
Interest Income & Debt Payments	13	18	(4)	90	115	(26)
Contingency/Other Group Items	(0)	9	(9)	35	65	(30)
Provision for Metronet Administration	104	-	104	104	-	104
Total Group Items	116	26	90	228	180	48
Margin	650	582	68	2,773	2,718	55
Capital Income (including Property Sales)	(1)	(20)	19	(47)	(49)	2
Capital Expenditure	286	349	(63)	1,484	1,682	(198)
Reimbursements from Third Parties	(34)	(29)	(5)	(184)	(170)	(14)
Overprogramming (TfL Group)	-	(16)	16	(30)	(68)	38
Net Capital Expenditure	252	304	(52)	1,270	1,444	(174)
Net Service Expenditure	902	867	35	3,996	4,113	(117)
By Mode:						
London Underground	293	288	4	1,249	1,283	(34)
Surface Transport	260	279	(19)	1,334	1,351	(16)
London Rail	145	186	(41)	750	897	(146)
Group Directorates	88	103	(15)	464	471	(7)
Overprogramming (TfL Group)	-	(16)	16	(30)	(68)	38
Group Items	116	26	90	228	180	48
Net Service Expenditure	902	867	35	3,996	4,113	(117)
Metronet Net Service Expenditure £m	86	146	(60)	515	515	-

Table may be subject to rounding errors

Annex Two: Balance Sheet

Last Year Actual	Balance Sheet £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
16,716	Fixed Assets						
	Tangible Assets	17,107	17,100	(7)	18,509	18,674	165
	Current Assets						
4	Stocks	5	4	(1)	5	4	(1)
352	Debtors	190	172	(18)	157	179	22
17	Capital Debtors	19	12	(7)	21	13	(8)
212	Payments in Advance	267	241	(26)	254	263	9
1,903	Cash at Bank and in Hand	2,192	2,431	239	1,563	1,555	(8)
	Current Liabilities						
(855)	Revenue	(830)	(965)	(135)	(823)	(942)	(119)
(224)	Receipts in Advance	(234)	(232)	2	(255)	(242)	13
(316)	Capital	(306)	(325)	(19)	(366)	(385)	(19)
	Long Term Liabilities						
(2,947)	Balances with Infracos	(1,441)	(3,071)	(1,630)	(1,803)	(3,489)	(1,686)
(382)	Creditors Due after One Year	(381)	(382)	(1)	(635)	(634)	1
(1,950)	Prudential Loans	(2,510)	(2,510)	-	(2,700)	(2,700)	-
(6,862)	Capital Grants	(7,179)	(7,093)	86	(7,267)	(7,352)	(85)
(249)	Provisions	(235)	(238)	(3)	(217)	(217)	-
(607)	Pension Provision	(607)	(607)	-	(607)	(607)	-
4,812	Total Net Assets	6,057	4,537	(1,520)	5,836	4,120	(1,716)
	Capital and Reserves						
1,443	Earmarked Reserves	1,018	1,183	165	917	872	(45)
(607)	Pension Reserves	(607)	(607)	-	(607)	(607)	-
162	General Fund	162	162	-	162	162	-
3,814	Other Reserves	5,484	3,799	(1,685)	5,364	3,693	(1,671)
4,812	Total Capital Employed	6,057	4,537	(1,520)	5,836	4,120	(1,716)

Debtors and Payments in advance were £52m over budget, of which £32m is in Corporate, and includes an unbudgeted rebate from recruitment agencies (£10m), whereby an element of commission paid is refunded to TfL based on volumes of positions filled, Crossrail funding (£8m) and pre-paid insurance (£14m). Movements for other companies are within normal trading tolerances.

The large variance to date on creditors includes the net effect of the write-down of the finance lease obligations in respect of Metronet PPP companies (£1,681m) offset by new lease obligations (£48m) related to increased fixed asset delivery. This write-down was triggered by revisions to the Metronet Infrastructure Service Charge. Also within London Underground is a £36m reduction for revenue creditors due to earlier than expected settlement of contractual claims and a £20m reduction in capital creditors reflecting lower capital expenditure. London Rail has creditor balances below budget by £68m due to a combination of lower capital expenditure and timing differences in payment of capital creditors.

Fixed asset reduction reflects the reduced capital activity forecasts, mainly in London Rail, as reported above. These also result in the forecast variances to creditors (£129m) and deferred capital grant.

The creditor forecast includes the write-off of London Underground's finance lease obligations under the Metronet PPP as detailed above (£1,681m).

Annex Three: Cash Summary

Cash Summary £m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Net Revenue Expenditure	(651)	(583)	68	(2,773)	(2,718)	55
Working Capital Movements	92	273	181	266	406	140
Cash Spend on Operating Activities	(559)	(310)	249	(2,507)	(2,312)	195
Net Capital Expenditure	(285)	(313)	(28)	(1,407)	(1,565)	(158)
Working Capital Movements	(12)	14	26	(46)	(73)	(27)
Cash Spend on Capital Activities	(297)	(299)	(2)	(1,453)	(1,638)	(185)
Funded by:						
Transport Grant	549	546	(3)	2,674	2,670	(4)
Precept Funding	2	2	-	12	12	-
Prudential Borrowing	560	560	-	750	750	-
Third Party Contributions	34	29	(5)	184	170	(14)
Total Funding	1,145	1,137	(8)	3,620	3,602	(18)
Net Movement in Cash	289	528	239	(340)	(348)	(8)